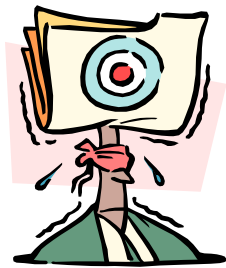


Role of The Controller



John Ellis
Associate Vice Chancellor
for Finance & Controller
UC- Berkeley

Who are The UC Controllers?

Berkeley—John Ellis
Davis—Mike Allred
Irvine—Rich Andrews
Los Angeles—Sue Abeles
Merced—Steven Dolmseth
Riverside—Bobbi McCracken
San Diego—Don Larson
San Francisco—Cecilia Hamilton
Santa Barbara—Jim Corkill
Santa Cruz—Kirk Lew
ANR—Jake McGuire
LBNL—Jeffrey Fernandez

Key ? to answer on Controllership

- Who is responsible?
- What we are responsible for ?
- Why should you care?
- How can we make our culture stronger?
- Why is it important for us to work together?
- When does this need to happen?

Role of UC Controllers



- Established by the UC Controls Initiative
- Trusted advisor working in partnership with faculty, students and staff to enhance financial stewardship of the university
- Uphold the public's trust in the institution and mission of the university

Responsibilities of UC Controllers

- Develop and implement campus wide system of internal control
- Establish, evaluate and support control environment
- Provide financial information to all levels of the university administration, as well as the State, Federal officials and other third parties
- Provide financial leadership for campus operations

UC Accounting Program

The University has a special stewardship obligation to:

- Process properly and accurately all receipts and disbursements of funds
- To account for all financial resources received and used
- To ensure that all financial transactions conform to legal requirements and policies, and are recorded in accordance with GAAP
- To provide reports that present a complete picture of the University's resources and their uses.

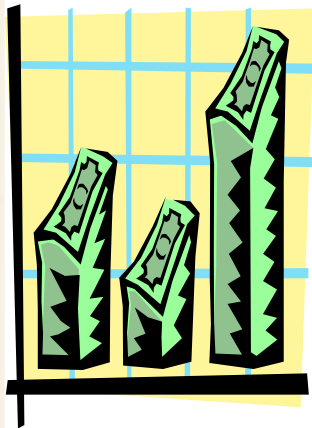
Distinct, Yet Complementary

Controller

Internal Audit

- | | |
|--|--|
| <ul style="list-style-type: none"> ◆ Ownership ◆ Leadership & Management ◆ Responsible for development of improvement initiatives | <ul style="list-style-type: none"> ◆ Independent evaluation ◆ Resource to management in helping assess ◆ Evaluate effectiveness |
|--|--|

UC Average Daily Expenditures



UCLA	\$ 12,265,173
UCSF	9,049,185
UCD	8,114,754
UCSD	7,367,212
UCB	5,561,673
UCI	5,105,046
UCSB	2,132,615
UCR	1,580,958
UCSC	1,573,900
UCM	224,308
UCOP	1,826,227
DOE Labs	16,144,942
Total	\$ 70,945,992

Source: 2005-06 Campus Financial Schedules (current funds only)

Reporting Results to Stakeholders

- Are we doing a good job?
 - Annual Audit Report from UC's External Auditor (PwC)
 - Reports to the Board of Regents from Internal Audit
 - Audits published by agencies that sponsor UC activities
 - HHS-OIG, NSF-OIG



Does anyone care about University Accounting?

As Universities Get Billions in Grants, Some See Abuses

**Cornell Doctor Blows Whistle
Over Use of Federal Funds,
Alleging Phantom Studies
Defending a Star Professor**
By **BERNARD WYSOCKI JR.**
Staff Reporter of *THE WALL
STREET JOURNAL*
August 16, 2005; Page A1

House Panel Urges Probe Of Use of NIH Grants

By **BERNARD WYSOCKI JR.**
Staff Reporter of *THE WALL
STREET JOURNAL*
September 22, 2005; Page A4



Sarbanes-Oxley Act of 2002

- Passed by Congress to help restore investor confidence in the financial markets in the wake of Enron, Tyco, Global Crossing, WorldCom, HealthSouth...
 - Created a new accounting oversight board to police the practices of the accounting profession
 - Strengthened auditor independence rules
 - Increased the accountability of corporate officers and directors
 - Improved disclosure and financial reporting



Influence of Sarbanes-Oxley Act on UC

FYE Certification Letter

Representations made by signatory to Controller:

1. Responsible for the applications of University P&P
2. Responsible for establishing & maintaining an effective system of internal control
3. No material transactions, accounts or agreements, that have not been properly recorded in campus accounting records
4. Communications from regulatory agencies, donors, or other entities concerning noncompliance...have been disclosed in writing
5. All known allegations of fraud or suspected fraud have been disclosed
6. Management of funds in compliance with laws, regulations, C&G agreements, and donor restrictions

Increased Risk in Control Reporting

- SAS112—Significant tightening of standards for reporting control deficiencies.
- Auditor reports would be public record.
- Key Controls must (1) exist, (2) be working effectively, & (3) be documented.
- Department level key controls:
 - Verification/Reconciliation
 - Financial Report Reviews
- Deficiency Reporting Risk is High.

Foundation to a strong control environment

Promoting a culture of:

- Accountability
- Responsibility
- Ethics

UC Statement of Ethical Values

We are committed to:

- Integrity
 - We will conduct ourselves with integrity in our dealings with and on behalf of the University
- Excellence
 - We will conscientiously strive for excellence in our work
- Accountability
 - We will be accountable as individuals and as members of this community for our ethical conduct and for compliance with applicable laws and University policies and directives
- Respect
 - We will respect the rights and dignity of others

UC Standards of Ethical Conduct

1. Fair Dealing

...No unlawful practice or a practice at odds with these standards can be justified on the basis of customary practice, expediency, or achieving a "higher" purpose.

UC Standards of Business Conduct

Ethical Conduct of Research

All those engaged in research are expected to pursue the advancement of knowledge while meeting the highest standards of honesty, accuracy, and objectivity. They are also expected to demonstrate accountability for sponsors' funds and to comply with specific terms and conditions of contracts and grants.

Research Noncompliance in Higher Education

Cost of Not Doing the Right Thing

• Florida International University (2005)	\$13.2M
• University of Alabama (2005)	3.4M
• Mayo Foundation (2005)	6.5M
• University of Pennsylvania Children's National Medical Center (2005)	1.3M
• East Carolina University (2004)	2.3M
• Harvard/Beth Israel Deaconess Medical Center (2004)	3.3M
• Johns Hopkins University (2004)	2.6M
• Northwestern University (2003)	5.5M
• Thomas Jefferson University (2000)	2.6M
• University of Pittsburg (1999)	<u>15.5M</u>
	\$56.2M

Research Noncompliance in Higher Education - Financial

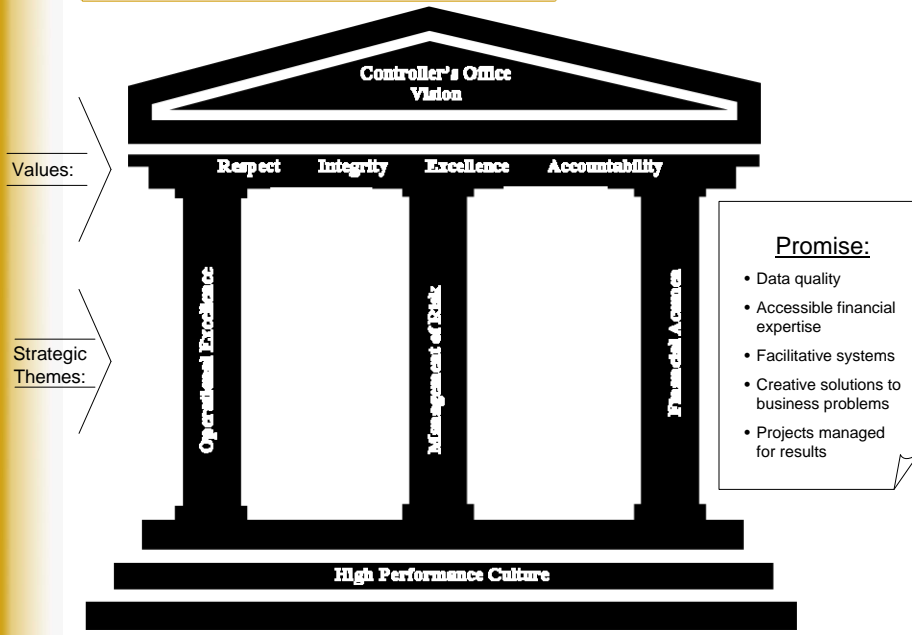
- Lack of accounting integrity
- Unallowable costs
- Conflicts of Interest
- Cost Transfers – Incorrect Accounts
- Improper Salary Expenses
- Inaccurate Effort Reporting
- Over-recovery of F&A costs
- False statements in reports to Federal Government
- Over billing
- Duplicate Billings

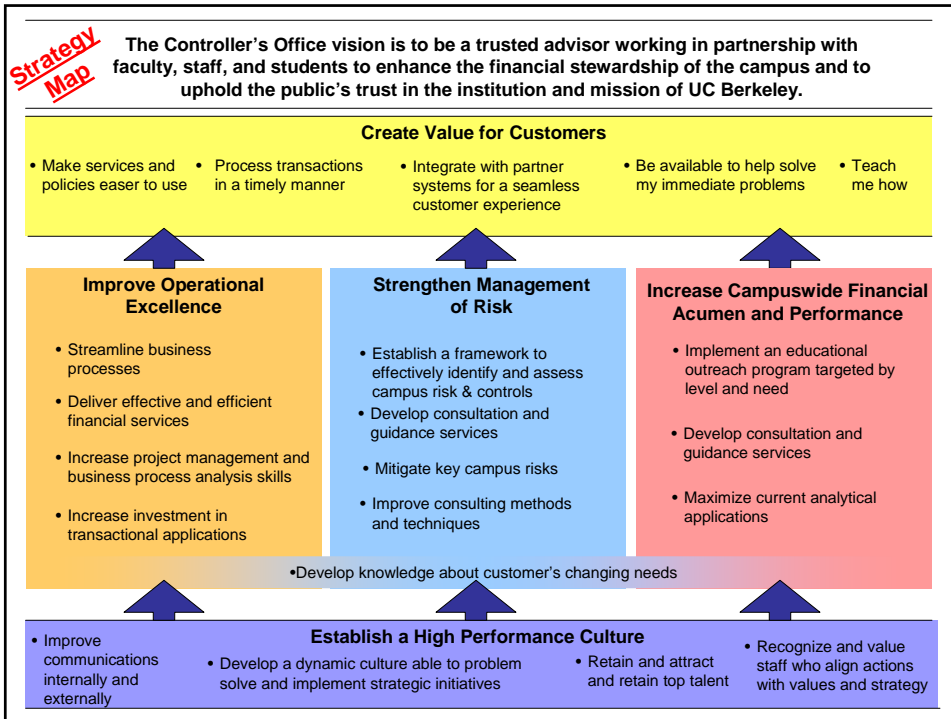
UC Standards of Business Conduct

Internal Controls

All members of the University community are responsible for internal controls. Each business unit or department head is specifically responsible for ensuring that internal controls are established, properly documented and maintained for activities within their jurisdiction. Any individual entrusted with funds, including principal investigators, is responsible for ensuring that adequate internal controls exist over the use and accountability of such funds.

How will we meet these challenges ?





The University of California

BUSINESS OFFICER INSTITUTE

A Common Vision

**NOW
Is The
Time**